

# **Friedmann**

## ***EXHIBIT F***

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

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In re: Chapter 11

SEARS HOLDINGS Case No:

CORPORATION, et al., 18-23538 (RDD)

Debtor.

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AUCTION PROCEEDING

New York, New York

January 15, 2019

Reported by:

MARY F. BOWMAN, RPR, CRR

JOB NO. 154062

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January 15, 2019

10:05 a.m.

Proceedings, held at the offices  
of Weil, Gotshal & Manges, LLP, 767 Fifth  
Avenue, New York, New York, before Mary F.  
Bowman, a Registered Professional Reporter,  
Certified Realtime Reporter, and Notary  
Public of the State of New Jersey.

APPEARANCES (Speakers):

WEIL, GOTSHAL & MANGES

Attorneys for Debtors, and

Debtors-in-Possession: Sears Holdings

Corporation, et al.,

767 Fifth Avenue

New York, New York 10153

BY: RAY SCHROCK, ESQ.

AKIN GUMP STRAUSS HAUER & FELD

Attorneys for Unsecured Creditors:

One Bryant Park

Bank of America Tower

New York, New York 10036

BY: PHILIP DUBLIN, ESQ.

PAUL, WEISS, RIFKIND, WHARTON & GARRISON

Attorneys for the Subcommittee of the

Board of Sears Holdings

1285 Avenue of the Americas

New York, NY 10019

BY: PAUL BASTA, ESQ.

APPEARANCES (Speakers):

CLEARY GOTTlieb STEEN & HAMILTON

Attorneys for Defendants

One Liberty Plaza

New York, NY 10006

BY: SEAN O'NEAL, ESQ.

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2 MR. SCHROCK: Let's go back on  
3 the record. It is January 15, 2019 at  
4 approximately 10:05 a.m.

5 First of all, thank you to  
6 everyone for your patience and working  
7 with the debtors yesterday. There has  
8 been a significant amount of  
9 back-and-forth between ESL, as well as  
10 with the debtors and their consultation  
11 parties. And we decided late last  
12 night to allow ESL overnight to put  
13 together a response to the proposal  
14 from the debtors, and at this time, we  
15 will have them put that proposal on the  
16 record, after which time we are going  
17 to take a break, go discuss it with the  
18 restructuring committee and the  
19 consultation parties.

20 We will go back on the record  
21 with the debtors' decision as to  
22 whether or not the offer is higher or  
23 better or a successful bid, a/k/a  
24 successful bid, and from that, we will  
25 make a decision about whether or not

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2 Good afternoon. Again, Ray  
3 Schrock, Weil Gotshal on behalf of the  
4 debtors, attorneys for Sears.

5 It is January 15, approximately  
6 1:12 p.m. And I'm here to announce the  
7 status of ESL's bid.

8 First, just a quick reminder  
9 about the debtor's corporate governance  
10 structure. The role of the  
11 restructuring committee is to review  
12 affiliate transactions, among other  
13 items. The subcommittee is or the  
14 restructuring committee is handling all  
15 issues associated with credit bidding.

16 So with this announcement, I'm  
17 going to ask Paul Basta on behalf of  
18 the restructuring subcommittee to come  
19 up here, and if the official committee  
20 of unsecured creditors or other  
21 consultation parties want to speak,  
22 they are certainly free to do so.

23 At this time, unfortunately,  
24 after consulting with the consultation  
25 parties, the restructuring committee

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has determined that the ESL bid is not executable and is not otherwise higher or better when compared to the company's alternatives.

There are a number of significant problems that the company has with the ESL bid and we have tried, and I want to say, so very hard to get there with this deal. Everything depends on it.

This committee is put, you know, in a very difficult position, one that it accepts, to have to evaluate the alternatives between a wind-down and what's best for the stakeholders and a going concern and we have been twisting and turning and trying to find a way to get the ESL bid done.

But when you have a negotiating party that is buying all of the assets and trying to ensure that you have enough cash to get to the closing and, you know, get past the close, it's an extraordinarily difficult exercise. And I think for both sides in fairness.



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2 But when we run the company's  
3 numbers and we are talking about a  
4 closing that would occur as quickly as  
5 February 8, there is simply not enough  
6 cash to get to the closing. OK. We --  
7 even if we wanted to accept the  
8 transaction, there is not enough cash  
9 to get to the closing. We're roughly,  
10 at least 150 million dollars short.

11 There has been a lot of talk and  
12 some hyperbole on the record about  
13 goal-post moving. This is a  
14 multi-billion dollar corporation. We  
15 are talking about buying all of the  
16 assets and then leaving the company  
17 with basically a going concern, but  
18 everything is gone and then to have the  
19 estate be able to wind up  
20 professionally, you know, allow the  
21 parties and the stakeholders to have  
22 what they have and get a plan  
23 confirmed -- there is always going to  
24 be movement on administrative claims in  
25 a company of this size. But when we

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2 premise for the advisors, for the board  
3 in engaging in this exercise.

4 And so when you hear the  
5 restructuring committee and the  
6 professionals talk about administrative  
7 solvency, we want to make sure that we  
8 are taking care of the employees. We  
9 ant to make sure we are wrapping up the  
10 case. It is not about just confirming  
11 a plan.

12 But we believe and continue to  
13 believe that we have a path to do so  
14 under the company's alternatives, and I  
15 would note the company's other  
16 alternatives are conservative in their  
17 assumptions. We will let the record  
18 speak for itself on exactly how you  
19 parse through that, but there is  
20 certainly upside, we believe, in the  
21 liquidation analysis and certainly  
22 other alternatives that could be  
23 pursued.

24 But unfortunately, ESL and the  
25 debtors we have not been able to agree

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2 on what it's going to take and be able  
3 to keep the company on the right side  
4 of administrative insolvency.

5 When we looked at the  
6 consideration that was being provided  
7 for unencumbered assets or -- as for  
8 unencumbered assets, most of those  
9 assets were being purchased by ESL for  
10 relatively little consideration. The  
11 debtors already have indications of  
12 interest for several hundred million  
13 dollars on those assets, but we were  
14 willing to try to find a way to bridge  
15 the gap there on this.

16 But when you couple that with  
17 having a party that's buying basically  
18 all of the assets and we are left in  
19 administratively insolvent position, we  
20 believe that there was insufficient  
21 consideration for the unencumbered  
22 assets.

23 On the assumption of  
24 administrative liabilities, I think we  
25 made a lot of progress over the last

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subject to full documentation and to be  
agreed among the parties and also it  
needs to be confirmed by the NewCo  
financing sources which have been very  
much involved in our discussions and we  
anticipate occurring promptly.

Thank you.

MR. SCHROCK: With that, we will  
stand adjourned.

(Time noted: 2:26 a.m.)

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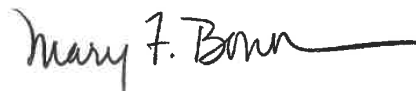
2  
3 CERTIFICATE

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5 I, MARY F. BOWMAN, a Registered  
6 Professional Reporter, Certified  
7 Realtime Reporter, and Notary Public do  
8 hereby certify:

9 The foregoing is a true record of  
10 the testimony given by in these  
11 proceedings.

12 I further certify that I am not  
13 related to any of the parties to this  
14 action by blood or marriage and that I  
15 am in no way interested in the outcome  
16 of this matter.

17 In witness whereof, I have  
18 hereunto set my hand this 16th day of  
19 January, 2019.

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22 MARY F. BOWMAN, RPR, CRR  
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